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VIA FACSIMILE

Mr. Stuart Gottlieb
Office of Senator Charles Schumer
Senate Hart Office Building
Washington, DC 20510

Dear Stuart:

As per your request, attached is an updated schedule ("Schedule A") setting forth our projections for retail gasoline prices in New York State, based upon the prevailing price of crude oil and other factors, including the increasing relative value of gasoline to crude oil.

Once again, as I stated in my February 22 letter to you, the projections on Schedule "A" assume an increased value for unleaded gasoline, relative to the value of crude oil, on an historical basis. The factors relating to this increased valuation continue to be (I) expected record demand for gasoline by consumers this summer, (II) inadequate fuel supplies to meet demand, due to new E.P.A. regulations for reformulated gasoline, and (III) insufficient crude oil production by OPEC and non-OPEC producers.

I reference the above statistics, in order to underlie our projections for gasoline prices, supplemental to those stated in Schedule "A". Futures prices for gasoline have surged nearly ten cents over the past week, in part, due to the emerging supply fundamentals. In our opinion, this phenomenon will continue, resulting in a surge in retail gasoline prices. New York area consumers should expect the retail price of regular gasoline to reach a \$1.70 per gallon, shortly, and approach two dollars per gallon, by the July 4th holiday, if current conditions are maintained. Our projection for prices to peak at approximately \$2.25 per gallon, at the height of the traditional summer driving season, remain intact. The brief respite in prices that occurred subsequent to the oil production increase announced by oil producers in March has dissipated.

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As we discussed, oil producing nations need to increase output, in order to alleviate the current high prices, as well as to avoid a reprise of the heating oil price crisis experienced last winter.

If you have any questions, please contact me at the number listed above.

Very truly yours,



John P. Kilduff

Attachment